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ABSTRACT

This report describes the context and goals of the Higher Education Funding Council for England's e-University project to develop Internet-based higher education. It summarizes the proposed business model and outlines next steps in implementing the project. A February 2000 letter announced the project and invited higher education institutions (HEIs) to send information on related activities. A steering group was established, and a business model study was commissioned from PricewaterhouseCoopers (PwC), together with other supporting studies. HEI comments showed the importance of producing a business model enabling a wide range of HEIs and other partners to contribute. PwC produced a model that satisfies this criterion and can deliver e-learning effectively and with high standards. The PwC report views the e-university as an organization that will support the development and delivery of e-programs. It will work with HEIs and other partners to meet project goals. E-universities can have a holding company, operating company, subsidiary companies, small executive, committee for academic quality, program/service providers, and joint venture partners. Benefits to HEIs of working with e-universities include: access to specialist technological and other skills, e-tools, and services and access to global marketing intelligence and global reach. Appended is a list of the e-University Steering Group. (SM)

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ED 440 330

Consultation

October 00/43

Respond by 22 November 2000

# e-University project: business model

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HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND hefce

# e-University project: business model

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| **To** | Heads of HEFCE-funded higher education institutions<br>Heads of universities in Northern Ireland<br>(A parallel document is being sent to HEIs in Scotland and Wales by the respective funding councils.) |
| **Of interest to those responsible for** | Strategic development, Learning and teaching, IT, Finance |
| **Reference** | 00/**43** |
| **Publication date** | October 2000 |
| **Enquiries to** | Alice Frost<br>tel 0117 931 7101<br>e-mail a.frost@hefce.ac.uk |

## Executive summary

### Purpose

1. This document:

- sets out the context and aims of the e-University project
- summarises the proposed business model
- outlines the next steps in implementing the project
- invites comments.

### Key points

2. We announced the e-University project in February 2000 and invited initial comments by 3 April. We also established a Steering Group, and commissioned a business model study from PricewaterhouseCoopers (PwC) together with a number of supporting studies.

3. Comments received from universities and colleges showed that we needed to produce a business model that was inclusive, enabling a wide range of higher education institutions (HEIs) and other partners to contribute. PwC has now produced a model that the Steering Group believes satisfies this criterion, and can deliver e-learning effectively and to high standards. The PwC report envisages the e-University as a new organisation which would focus on supporting the development and delivery of e-programmes. It would not develop its own programmes on traditional lines using its own staff. Rather, it would work with HEIs and other partners to:

- identify and make available a planned portfolio of HE programmes, learning materials and support services to meet, in an academically coherent way, market demand for e-learning overseas and in the UK

- secure the development by HEIs (and perhaps others) of learning materials for that portfolio, commissioning new materials where necessary
- secure and manage the necessary services to distribute programmes, including tutorial support services, a quality gateway, a technological platform, student advisory services and other forms of support.

4. HEIs could be involved in the e-University in a number of roles. The sector would own the e-University holding company and would appoint directors to its operating company. HEIs would make nominations for the members of the e-University's committee for academic quality. All institutions could provide programmes and services to the e-University, subject to passing quality checks. The operating company would also involve joint venture partners from the private sector or non-HE bodies, and would operate with a small executive.

5. We are now inviting comments on the business model before we move on to the next phase of implementation for the project around the end of the year.

## Action required

6. HEIs are invited to send any comments on the e-University business model by **Wednesday 22 November 2000** to:

Alice Frost
e-University Project Manager
Higher Education Funding Council for England
Northavon House
Coldharbour Lane
BRISTOL
BS16 1QD

## Background

7. Our letter of 14 February (HEFCE Circular letter 04/00) announced the launch of a new project to develop internet-based higher education (HE) – the 'e-University' project. We invited HEIs to send us, by 3 April, information on their activities relevant to the project and views on the concept more generally.

8. We appointed a Steering Group, chaired by Professor Ron Cooke, Vice-Chancellor of the University of York, to oversee the project: its membership is given at Annex A. We also commissioned a number of studies. The principal study for the project is an investigation of the business model for the e-University. The full invitation to tender for this project was included in Electronic Publication (EP) 02/00. This study was conducted by a PwC team led by Quentin Thompson.

9. We commissioned the following studies to feed into the development of the business model:

- a study of the virtual learning market, conducted by the team which delivered the CVCP/HEFCE report on 'The Business of Borderless Education', led by the Commonwealth Higher Education Management Service (CHEMS)
- a study of the pedagogic tools available to the e-University (including assessment on-line and the requirement for face-to-face student support), conducted by Sheffield Hallam University
- a study of the electronic learning resources available to the e-University, conducted by the UK Office of Library and Information Networking (UKOLN) at the Universities of Bath and Hull
- a study of the electronic administrative systems available to the e-University, conducted by Technologies for Teaching Ltd
- a study of the social inclusion (including disability) issues faced by the e-University, conducted by the Universities of Coventry, Hertfordshire and Dundee.

10. These studies have provided valuable material which has informed the specification in the PwC report, and will continue to feed into the further development and implementation of the e-University. The e-University will need to consider the release of the studies in due course, taking account of the commercial confidentiality or sensitivity of some of the information they contain. Similarly, PwC has provided us with confidential initial estimates on costs and target markets, which will be developed further in working up a full implementation plan.

## Results of initial consultation

11. In June 2000 we published a summary of the responses to our consultation (EP 05/00). We also ran workshops on the e-University at the HEFCE conference for heads of HEIs in April, and held a range of other consultation meetings. By far the most prominent issue which has emerged is the 'inclusivity' of the project, in terms of facilitating the involvement of a wide range of HEIs and other partners in a variety of roles. The consultation identified a number of dimensions to inclusivity:

a. The importance attached to ownership of the e-University by the HE sector.

b. The large number of institutions embarking on the development of virtual learning materials, either singly or in partnership with other HEIs and/or with the private sector, and the wide range of subjects and markets being addressed. There was a consequent wish that the e-University should provide the environment and support that will assist this range of e-learning activities.

c. The number of institutions that could offer support or services to the e-University, either content development or other services such as student support or assessment and evaluation.

12. The consultation endorsed the vision of the e-University as a world-class provider of virtual learning which should establish itself as a brand associated with high quality and standards. The consultation also noted a number of challenges that the e-University would face. In overseeing the project, the Steering Group has been particularly concerned to ensure that the business model

maximises the opportunities for universities and colleges to contribute to, and benefit from, the project, while also providing the focus, drive and coherence necessary to make the e-University an effective venture.

## Context, aims and objectives

13. The PwC report is being published in parallel with this document. The report has been approved by the Steering Group and the HEFCE Board as a sound basis for taking the project forward.

14. The e-University project has been developed in the context of rapid changes in e-technology which are beginning to impact on HE through the development of powerful tools for on-line learning. These will increase the richness and reach of HE delivery. At the same time, the global market for on-line learning is expanding rapidly, owing to the knowledge-based nature of modern businesses, demographic change, and increasing demand for lifelong learning.

15. There is a growing awareness that these factors constitute both a threat and an opportunity for UK higher education. Around the world, universities and companies are setting up new ventures to tap the emerging global market for on-line higher education. If UK HE does not respond at least as fast and at least as effectively, it will lose to others not just the potential to develop new markets but even its share of existing markets. Many young students in the UK will continue to want a full-time, campus-based experience of HE because of its wider educational and social benefits. But both the overseas and the part-time markets for adult lifelong learning and continuing professional development are amenable to e-delivery and offer the potential for rapid growth. If UK universities and colleges do not keep adapting to meet those emerging demands, then others will.

16. But if UK HE does respond with the necessary speed, energy and flair, there are enormous benefits to be derived – for students, for HEIs and for the country's wider educational, economic and cultural interest. The UK starts with some major advantages, including: the high reputation of UK higher education; the initiative and adaptability already demonstrated by many universities and colleges, and their experience in overseas markets; the excellence of the infrastructure for information and communications technology (ICT); and the position of English as a global language. UK HE is therefore well placed to be a leading player in the world market for e-learning.

17. Securing and sustaining such a position, however, demands substantial investment of time, skill and funds. If we rely solely on initiatives by individual HEIs or small groups, the risk is that they will remain under-capitalised and marginal to the institutions' main priorities. It will be harder to achieve inter-operability and harmonisation of standards, or to achieve the economies of scale potentially achievable through ICT delivery. Hence we conclude that the time is right for a collaborative e-learning initiative to establish a new vehicle which will draw on existing HEI achievements and expertise.

18. The aim of the project is to provide a flagship for provision of UK HE virtual learning programmes, in order to:

a. Expand the UK's overall share in the global market for virtual higher education. In addition to serving the academic purpose of universities and colleges to offer high quality HE to those able to benefit, a stronger presence in the overseas market brings direct and indirect financial, social and cultural benefits to HEIs and the nation.

b. Provide new ways of delivering HE within the UK. This would serve particularly to meet expanding demand for continuing professional development and lifelong learning at higher education level, working in collaboration with the University for Industry/learndirect in meeting common objectives. But it can also increase social inclusion by making HE more accessible to groups for whom campus-based or traditional distance learning programmes are unsuitable. The e-University will differ from the Open University in being solely focused on e-learning, and in being a collaborative enterprise involving many HEIs rather than a university in its own right.

c. Encourage new thinking in UK HEIs about,

and facilitate approaches to, use of e-learning. Many HEIs are already developing their own e-learning activities, but often on a limited scale and with inadequate resources to meet the demands of global competition. One goal of the e-University project is to support the development of a much wider variety of e-provision. In addition to the primary purpose of delivery through the e-University, this will demonstrate how the application of virtual learning technologies can enrich learning, and thereby encourage the wider use throughout higher education of e-learning materials, programmes, student support services and delivery methods.

d. Create new opportunities for HEIs to work with private sector companies and other non- HE partners in developing the innovative application of new technologies to the design, delivery and support of HE programmes. That should include opportunities for sharing the costs and risks of, and the returns from, investing in the development and delivery of e-learning.

19. The objective for the project is to design an e-University that is:

- 'learner-driven'
- responsive to change
- excellent in terms of fitness for purpose
- at the forefront in its use of technologies
- able to secure economies of scale
- capable of becoming financially self-sustaining, and of securing a full return on investment, in a reasonable period.

20. The e-University must have academic values at its core. It should offer students an HE experience consistent with the highest standards of UK higher education. It should aim to distinguish itself from other providers by its particular combination of flexibility in meeting student needs combined with academic rigour and technological excellence. It should assure students an e-learning HE experience which is:

- coherent in terms of the modules studied and the progression between levels of study
- capable of delivery by wholly virtual means, giving students who want it the option of study without a requirement for physical attendance at a particular location or face-to-face interaction (although those may be desirable elements for some programmes or students)
- well-supported by on-line interaction with tutors and peers, as well as seamless in its administrative systems
- demanding, in offering only higher education programmes which have been quality assured and which lead, where the student wishes, to the qualifications of a recognised awarding body.

21. We do not underestimate the challenge of delivering this vision. Such aspirations are easily stated. There are many areas where the objective may be clear, but delivering it will require a great deal of time and effort. Such a venture is necessarily risky. But doing nothing is riskier, because it inevitably means falling behind, while success would bring substantial benefits.

## Operation and markets

22. The PwC report gives a detailed specification for the proposed operation of the e-University. In outline, the e-University would be a facilitator and broker, supporting the development and delivery of 'anytime, anywhere' HE programmes which meet quality standards, so as to enable a variety of providers to meet the needs of a wider range of learners.

23. UK universities and colleges would produce virtual learning courses and modules to be made available through the e-University. These would contain a high level of embedded tutorial provision and should be assessable. The e-University would seek to ensure that sufficient supplementary on-line tutorial support was available to meet the demand for it.

24. The e-University would work in a number of ways:

a. Delivering entire e-programmes which have already been developed by HEIs, but where there is benefit to the HEI in extending the reach of its programmes by employing a new delivery mechanism.

b. Supporting the development of e-learning materials in response to proposals by HEIs, where some of the necessary materials have already been developed by those HEIs, but they need further work for effective e-delivery, to expand subject content, or to provide underpinning student and administrative support services. The benefit for the HEI is in the form of investment funding, enabling it to develop and secure delivery of programmes beyond what it could achieve on its own.

c. Where the e-University identifies gaps in the portfolio of materials it wants to offer, commissioning the development of new modules or programmes to fill those gaps from individual HEIs, consortia of HEIs, or others. Again, the benefit to the HEI is in the form of investment funding.

d. Enabling students to put together, with the aid of the 'navigator' advisory service described in the PwC report, combinations of modules to suit their needs, which may or may not lead to an award. The benefit to the student lies in the flexibility.

e. Enabling HEIs, in the UK or overseas, to draw on a wide portfolio of modules, programmes or services to supplement their standard, campus-based programmes. The benefit to HEIs is being able to draw on materials and services without having to meet their full cost, but sharing the cost with other users. That might include support in areas such as marketing, access to particular technological expertise, generic guidance on the preparation and delivery of e-learning materials, or staff development.

25. The qualification-awarding function would rest with universities and colleges that have degree-awarding powers. Where a programme had been developed wholly or mainly by an individual university or consortium of universities, the award would be the responsibility of those universities. Where a student's programme was composed of modules from a range of providers, one function of the navigator service would be to help the student secure coherence and progression and, if the student was seeking an award, to help to identify from the outset an HEI willing to award a qualification on successful completion.

26. The e-University would undertake the following activities:

a. Active development of the business by identifying future opportunities and then commissioning or supporting the provision of appropriate materials and services.

b. Operation of a quality assurance framework (overseen by a committee for academic quality) for materials, support and other services, to guarantee the standard of all its provision for learners.

c. Development and provision of the underlying technological platform and possibly e-tools to create learning materials.

d. Provision of the navigator function to advise students.

e. Branding and marketing.

f. Provision of supporting administrative functions.

27. The e-University would invest in the production of learning materials based on its assessment of market prospects and the fit with its strategy. Subject to passing quality checks, it may make available materials it owns, materials it owns jointly with HEIs (possibly with other partners), and materials owned wholly by HEIs. Ownership would normally depend on who provided the funds for the initial investment. The e-University would not normally invest in the production of duplicate courses/modules, although it might still make such materials available.

28. The e-University would charge variable fees to students or other customers, such as businesses, overseas universities or governments. It would retain a proportion of that fee, and any other income such as grant for publicly funded students, depending upon the level of its investment in the materials and provision of other services. Its other revenue sources may include advertising and provision of other e-based services.

29. The initial markets targeted by the e-University would be:

a. Selected UK postgraduate and continuing professional development courses.

b. Servicing the needs of "corporate" universities (which are divisions of large businesses that engage in training).

c. Selected overseas markets – individuals, companies or governments.

30. Detailed work on target markets has been undertaken by CHEMS and PwC, but is not being released at this time because of commercial confidentiality.

## Structure

31. The e-University would have the following structure:

a. **A holding company.** The e-University would be established as a company owned by the sector. This may be a company limited by guarantee or a company limited by shares, depending on which provides the best vehicle for the project. Appointments to the board should be made by the sector's representative and regulatory bodies, the Committee of Vice-Chancellors and Principals (CVCP), the Standing Conference of Principals (SCOP) and the UK HE funding bodies. The main function of the company would be to ensure that the academic purpose and integrity of the e-University were safeguarded by setting the terms on which it would grant the operating company a licence to use the e-University brand.

b. **An operating company.** The activities of the e-University would be undertaken by an operating company, acting under licence from the holding company. The members of the operating company would be the holding company and any joint venture partners (see below). These would appoint the board of directors. The senior staff of the executive (see below) would also be members of the board. The operating company would need to be a company limited by shares and hence would be able to distribute profits to its members.

c. **Subsidiary companies.** The operating company might also establish specific subsidiary companies to provide vehicles for more focused risk-sharing, capital investment and innovation with the private sector (and possibly with not-for-profit organisations such as overseas HEIs).

d. **A small executive.** This would be responsible for the day to day operations of the e-University, and for developing and implementing, in conjunction with the company boards, a vision and strategic direction for the e-University.

e. **Committee for academic quality.** The e-University would appoint a small committee to oversee the quality and standards of the e-University's operations, defining both technological and academic standards and overseeing, through a series of panels, the approval of materials and support services against those standards. The members would mainly be individuals who were distinguished and experienced in teaching and learning, and who would be representatives of universities and colleges which themselves had an international reputation for quality, including for e-learning. The reputation of those HEIs would, at least initially, help to determine the e-University's own standing. Other members of the committee might be drawn from overseas or from other non-HE organisations.

f. **Programme/service providers.** All HEIs in the UK, working independently or in groups, would be able to bring forward virtual learning programmes or materials to be made available through the e-University. They would also be able to bid to undertake commissions to develop new materials, and would be able to offer other services, such as student support or assessment. The e-University may additionally accept learning materials from non-UK higher education sources, such as overseas HEIs, major libraries or private companies.

g. **Joint venture partners.** Subject to agreeing appropriate terms, private sector or other non-UK-HE organisations could become joint venture partners to the operating company,

providing capital or innovative skills or experience to deliver the e-University. Private companies would also be able to participate in subsidiary companies focused on major e-University services or geographical or subject sectors.

32. The benefits to UK HEIs from working with the e-University would be:

a. Access to investment funds to create new materials and expand into new markets.

b. Access to specialist technological and other skills, e-tools and services, which could be provided by the e-University with economies of scale and high levels of innovation.

c. Access to global marketing intelligence and global reach.

d. Additional income through their share of student fees, and higher returns from investment in existing programmes by extending their reach.

e. Sharing in best practice, for dissemination across HEIs' traditional programmes.

f. Opportunity to participate in the promotion of UK HE globally.

## Next steps

33. The HEFCE believes that the PwC report provides a sound basis for moving forward to implementation of the e-University. However, we are also keen that universities and colleges should have maximum opportunity to comment, raise queries and make suggestions. We therefore invite comments on the PwC report on the business model for the e-University by **Wednesday 22 November 2000.** They should be addressed to:

Alice Frost
e-University Project Manager
HEFCE
Northavon House
Coldharbour Lane
BRISTOL
BS16 1QD

fax 0117 931 7226
e-mail a.frost@hefce.ac.uk

34. We will be undertaking an exercise to consult with the private sector over the same period.

35. We have asked the e-University Steering Group to advise us on a detailed implementation plan for the project, drawing on the recommendations made in the PwC report. We will publish the plan once we have considered the advice of the Steering Group, the results of the consultation, and the funding arrangements for the project.

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# Annex A

## e-University Steering Group

### Members

Professor Ron Cooke (Chair)
Vice-Chancellor, University of York

Mr Bahram Bekhradnia
Director of Policy, HEFCE

Mrs Sandra Burslem
Vice-Chancellor, Manchester Metropolitan University

Sir Brian Fender
Chief Executive, HEFCE

Dr Martin Gaskell
Principal, University College Northampton

Dr Geraldine Kenney-Wallace
MD and Vice-Chancellor, British Aerospace PLC Virtual University

Mr Stephen Marston
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The Master, Birkbeck College

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